



STATEWIDE REVIEW OF TRAVEL EXPENSES

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Auditor of Public Accounts
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REVIEW SUMMARY

Overall, the Commonwealth does not have a statewide approach to managing travel expenses. The Commonwealth spends close to \$200 million annually for travel, but the current approach to contracting and travel management does not fully leverage the purchasing power of the Commonwealth and there are opportunities for efficiencies and costs savings.

When looking at various approaches for managing statewide travel, it is important to understand that college and universities make up 73 percent of statewide travel expenses, with state agency travel making up only 27 percent of statewide expenses.

Statewide Travel Expenses by Type of Entity

	2012		2013		2014	
Colleges and universities	\$141,585,622	73%	\$146,341,539	73%	\$147,115,091	73%
State agencies	52,178,245	27%	53,184,175	27%	54,348,122	27%
Total	\$193,763,867	100%	\$199,525,714	100%	\$201,463,213	100%

In looking at travel, the significance of higher education travel as well as the Commonwealth's higher education restructuring efforts must be considered. Higher education institutions account for the majority of statewide travel costs, but restructuring efforts impact the ability of the Commonwealth to employ a statewide approach to travel management and contracting. With the procurement autonomy granted to various institutions under restructuring, the Commonwealth does not have the authority to require participation in any statewide travel contracting programs, thus limiting the Commonwealth's ability to fully leverage its purchasing power.

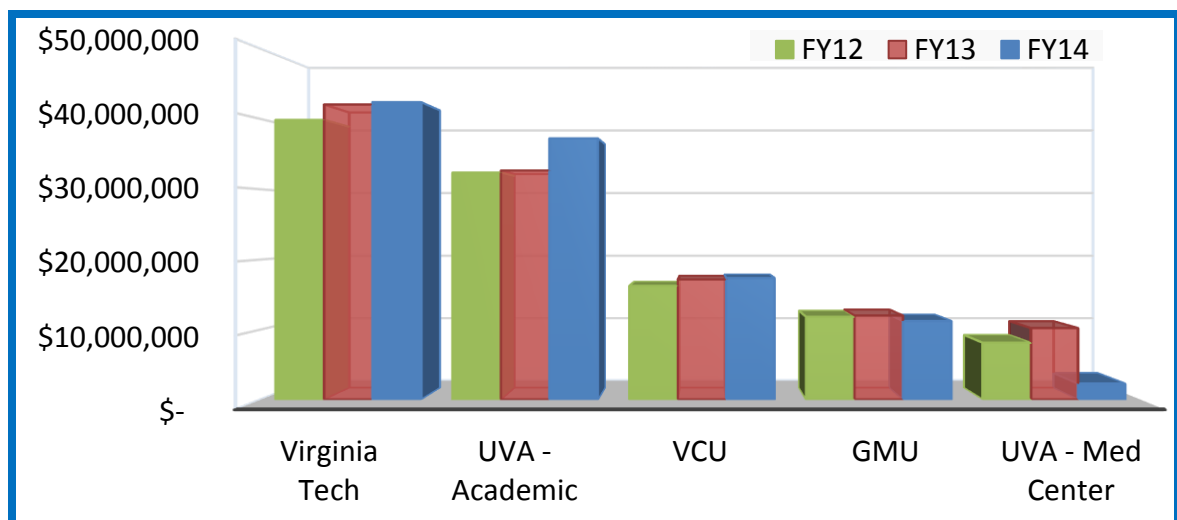
Higher education institutions generally view travel as an important part of attracting and retaining staff and students, and also maintaining competitive programs. Given this, several of the larger universities have allocated significant resources to this area and developed robust travel management programs and contracting approaches which likely generate savings and efficiencies for the individual entities. The higher education community has also been working towards leveraging their own purchasing power through collaborative efforts by forming a cooperative procurement association and expanding contracting opportunities through the University of Virginia's cooperative procurement initiatives.

These efforts certainly provide a more consolidated contracting approach for the colleges and universities; however, these strategies are currently limited to only a certain segment of state government and not all colleges and universities can participate in these efforts since certain institutions still follow the Department of General Services' (General Services) requirements. From a statewide perspective, this is a fragmented approach which does not fully leverage the maximum purchasing power of the Commonwealth. Additionally, state agencies have no statewide travel related contracts accessible to them other than a statewide rental car contract.

There are a number of different factors that must be evaluated when looking at options for better leveraging the purchasing power of the Commonwealth in this area. Consideration must be

given to the nature of travel expenses because the types of expenses incurred by colleges and universities can be very different than the types of expenses incurred by state agencies. As an example, airline travel may be a significant expense area for a university but not for many state agencies. Additionally, consideration should be given to who are the top spending entities and how to best leverage travel contracting and travel management programs already in place.

Travel Expenses for Top Spending Agencies and Universities Fiscal Years 2012 – 2014



Analysis of travel expense data will be useful to help determine things like the nature of travel expenses and some of the analysis in this report can be a starting point; however, there are limitations in travel expense data currently available from the Commonwealth's financial reporting systems. These limitations hamper the ability to fully analyze certain aspects of travel expenses and determine the complete volume of spending in an area such as airline travel. In spite of the data limitations, we believe there are opportunities for potential savings and efficiencies in the Commonwealth's travel expenses and our recommendations include:

- *Higher education institutions and General Services should work together to develop cooperative approaches that will more fully maximize the state's purchasing power and also leverage the travel management experience of the higher education institutions.*
- *The General Assembly may want to consider strengthening language in the Code of Virginia to further require coordination between General Services and higher education institutions when considering cooperative procurements.*
- *The Departments of Planning and Budget and Accounts should review the object code structure for travel expenses in the statewide financial reporting systems. Consideration should be given to whether the current structure meets the needs for modern day financial reporting and analysis.*

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ABOUT THIS REVIEW

The Auditor of Public Accounts originally proposed this review to the Joint Legislative Audit and Review Commission (JLARC) in May 2013 and JLARC approved this review as part of our 2014 work plan. We began this review in Spring 2014 and issued an [interim report](#) in January 2015, which included preliminary work and analysis on statewide travel expenses for fiscal years 2012 and 2013. This report will cover statewide travel expenses over a three-year period, fiscal years 2012, 2013 and 2014, and follows up and expands on the work from our interim report.

Objectives, Scope and Methodology

The overall objective for this review is to gain an understanding of statewide travel policies and processes and to identify areas for improvement or efficiencies. This includes analysis of statewide travel expenses to further understand the nature of expenses as well as where they are occurring. Our objectives for this phase of our review will build on our preliminary work. The specific objectives for this phase of our review are to:

- Perform additional analysis of statewide travel expenses to further understand the nature of expenses and trends;
- Analyze organizational models for travel processing, including contracting options, to identify opportunities for efficiencies and savings; and
- Survey agencies to determine different technologies and strategies that agencies are using to minimize travel.

Our review included travel expenses for executive and judicial branch agencies, including higher education institutions and independent agencies. We did not include certain types of travel-related expenses if the nature of the expenses was not directly related to the objectives of our review. As an example, we did not include expenses related to moving and relocation for state employees, gasoline or fuel expenses, or training and conference registration fees (i.e., related to travel for employee training).

In addition, we did not include travel expenses related to transportation of Medicaid recipients due to the unique nature of the program and its requirements. The Department of Medical Assistance Services handles these costs through contracts with various providers. Table 1 shows the types of expenses included in our review along with the related object code used to record the expenses in the Commonwealth Accounting and Reporting System (CARS).

Expense Types Included in This Review

Table 1

Expense Type	Related CARS Object Code
Employee Training Travel	1227
Lodging and Miscellaneous	1285
Meals	1287 and 1288
Personal Vehicle	1282
Public Carrier	1283
State Vehicle	1284
Travel for Custodial Care	1286

In completing this review, we contacted staff from both the Department of Accounts (Accounts) and the Department of General Services (General Services) to gain an understanding of their role in statewide travel processes, including contracting. We reviewed statewide travel policies in the Commonwealth Accounting Policies and Procedures (CAPP) manual, the Code of Virginia, and the Appropriation Act to gain an understanding of the requirements.

We analyzed statewide travel expenses for fiscal years 2012, 2013 and 2014, to gain an understanding of the most significant types of expenses as well as the agencies and universities with the most significant travel expenses. Based on this analysis, we selected certain agencies and universities for further analysis and we reviewed supporting documentation for certain travel expense transactions. We interviewed staff at individual agencies and universities to gain an understanding of their processes for processing and managing travel expenses. We also performed additional analysis on travel expenses for some entities to further understand the nature of their travel and the most significant travel vendors.

We developed and distributed a statewide survey to agency and university fiscal staff to gain additional information on travel processes as well as strategies for minimizing travel costs. This survey was sent to fiscal directors and we analyzed the results of this survey and followed up with specific agencies, as necessary. For agencies with statewide facilities, such as the Department of Corrections, we sent surveys to staff at the individual facilities as well as the Central Office.

We also researched how travel processes are managed in other states. We conducted research via the Internet and contacted certain states to gain additional information on their processes.

Travel Expense Data Used in this Review

As discussed above, we obtained and analyzed statewide travel expense data for fiscal years 2012, 2013, and 2014. The majority of the travel expense data came directly from the statewide

accounting system, CARS. There are certain data limitations with the information in CARS, which required us to obtain travel expenses data directly from university financial systems in some cases.

The data limitations in CARS specifically relate to universities designated as Level III universities as part of higher education restructuring efforts, which are discussed below. Generally, these universities are only required to report summary information in CARS and are not required to report local fund activity such as university auxiliary enterprise activities. As a result of these limitations, travel expense data for these universities came directly from the universities' financial systems, which includes local fund activity.

In addition, we also obtained data from the financial systems of the Virginia Economic Development Partnership and Virginia Tourism Authority as these agencies use an independent accounting system and report only summary information in CARS.

We also analyzed statewide small purchase charge card data to further analyze travel costs paid for with state credit cards.

Background Information on Higher Education Restructuring

To add context for later discussion in this report, we are providing background information on higher education restructuring efforts in the Commonwealth. The Restructuring Act (Act), effective July 1, 2005, gave higher education institutions greater autonomy over certain financial and administrative operations in exchange for the commitment to meet certain statewide goals. The Act created a three-tiered system, referred to as Level I, II, or III, which allows individual institutions to enter into agreements with the Commonwealth and negotiate even greater levels of operational autonomy. The agreements with the Level III institutions are referred to as management agreements, while Level II institutions have memorandums of understanding (MOUs) with the Commonwealth.

We discussed higher education restructuring efforts in our interim report and how this impacted travel policies and procedures. Level III institutions have operational authority in the areas of capital outlay, information technology, procurement, human resources, and finance. As a result, these universities are not required to follow the CAPP Manual requirements and can establish their own travel policies. In terms of contracting, these institutions are also not required to follow contracting and procurement requirements established by General Services. The College of William and Mary, the University of Virginia, Virginia Tech, and Virginia Commonwealth University have been designated with Level III status.

ANALYSIS OF TRAVEL EXPENSES – FISCAL YEARS 2012 – 2014

Our interim report included analysis of travel expenses for fiscal years 2012 and 2013. We expanded our analysis in this report to include fiscal year 2014 expenses to continue to identify statewide and entity specific trends. It is important to analyze travel expenses to further develop our understanding of where most of the travel expenses are occurring amongst the Commonwealth's agencies and universities, and to the extent possible, identify the nature of these expenses.

Statewide travel expenses were approximately \$200 million annually over the three-year period. When looking at the overall travel expenses by year, they were fairly consistent over the three-year period as shown in Table 2.

Statewide Travel Expenses – Fiscal Years 2012 – 2014

Table 2

2012	2013	2014
\$193,763,867	\$199,525,714	\$201,463,213

Source – CARS and university financial reporting systems

It is also useful to examine the breakdown of travel expenses between colleges and universities as opposed to state agencies. As shown in Table 3, travel at colleges and universities consistently accounts for nearly 75 percent of all statewide travel expenses. Overall, travel expenses remained fairly consistent over this three-year period as did the breakdown of expenses between colleges and universities, and state agencies.

Statewide Travel Expenses by Type of Entity – Fiscal Years 2012 - 2014

Table 3

	2012		2013		2014	
Colleges and universities	\$141,585,622	73%	\$146,341,539	73%	\$147,115,091	73%
State agencies	52,178,245	27%	53,184,175	27%	54,348,122	27%
Total	\$193,763,867	100%	\$199,525,714	100%	\$201,463,213	100%

Source – CARS and university financial reporting systems

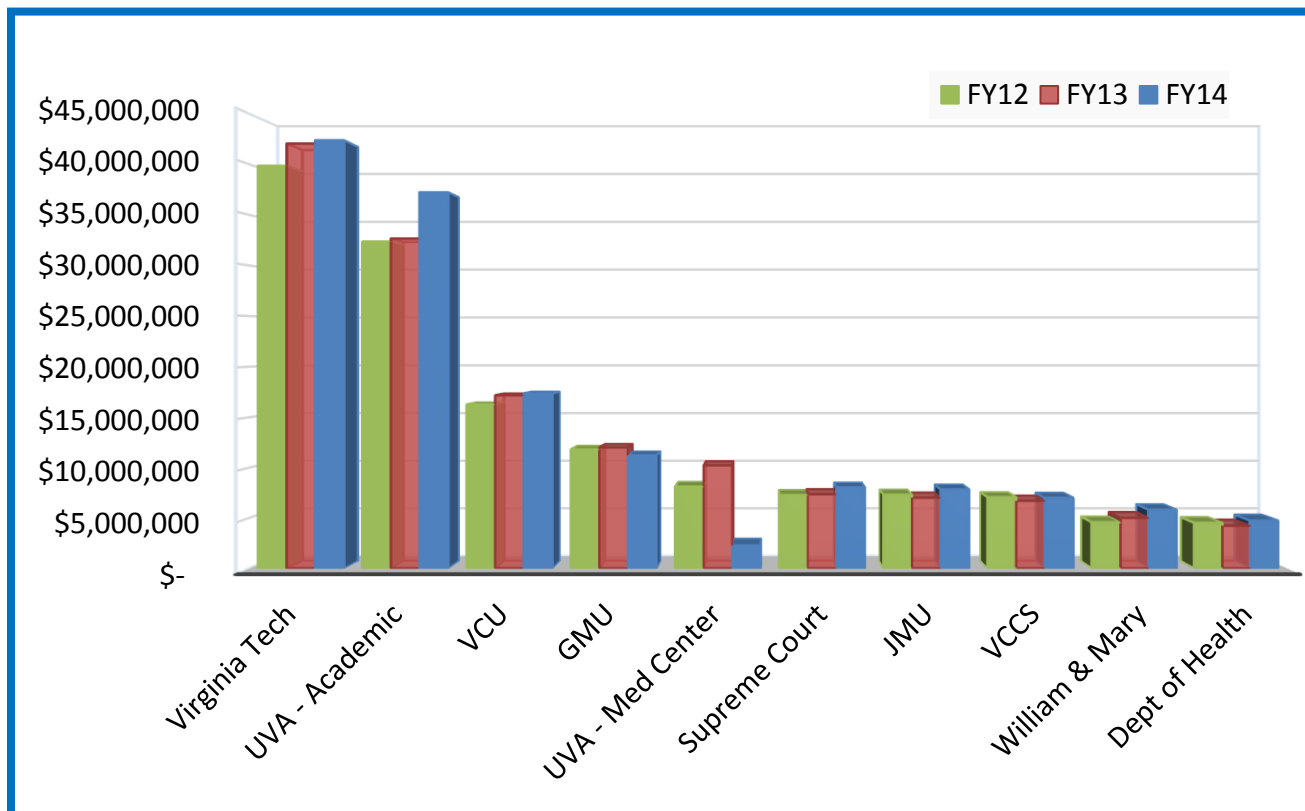
Travel Expenses by Agency or University

There are several individual agencies and universities that make up the majority of statewide travel expenses. Expenses at these agencies and universities account for close to 75 percent of total statewide travel expenses, and colleges and universities account for seven of the top ten spending agencies. Chart 1 shows travel expenses for these top agencies and universities over the three-year period. [Appendix A](#) is also included to show travel expenses over the three year period for all executive branch, judicial branch and independent agencies.

Some agencies in Chart 1 will include travel expenses for multiple entities. For example, the Supreme Court processes travel expenses for the court system, so this amount includes travel expenses associated with various courts (e.g., circuit, general district) statewide. Similarly, the amount shown for the Virginia Community College System (VCCS) includes travel expenses for all 23 colleges in the system, so this amount represents a system-wide total.

Travel Expenses for Top Agencies and Universities
Fiscal Years 2012 – 2014

Chart 1



Source – CARS and university financial reporting systems

Overall, the top spending agencies and universities remained very consistent over the three years. There was one significant change in 2014 that affected travel expenses at the University of Virginia (UVA) Medical Center and the Academic Division. UVA management changed their approach for charging travel expenses for doctors. Management decided to charge these costs to the Academic Division to better align with the purpose for the travel given that most of these expenses are research related. This resulted in a significant increase in travel expenses for UVA – Academic in 2014 and a corresponding decrease in expenses for UVA – Medical Center as seen in Chart 1.

While the universities and agencies shown above had the most significant amounts of travel expenses, the nature of the travel may be very different between the different entities. For example, the nature of travel at a university may be very different from the type of travel that occurs at the Department of Health. Even the nature of travel between different universities will vary.

Although the nature of travel can vary, the higher education institutions generally view travel as an important part of attracting and retaining staff and students, and also maintaining competitive programs. As discussed in our interim report, there are many factors that affect travel expenses at a university. The nature of each university's programs will impact how much travel occurs and the types of travel. As an example, some universities have a more research-driven mission and these universities will incur more travel expenses related to research programs and grants. Other universities may offer more study abroad programs for their students and they will incur travel expenses related to international travel. Athletics is another area that routinely incurs travel, but the scope and nature of a university's athletic programs will impact expenses. Finally, the geographic location of the university and its campuses impact the nature and amount of travel. All these factors need to be considered when analyzing and comparing travel expenses between universities.

Travel Expenses by Type

Travel expenses at agencies and universities are recorded in CARS using the classification structure shown below in Table 4. This classification structure is established and maintained by the Department of Planning and Budget. Table 4 shows each type of expense we included in our review and a general description of what is included. It should be noted that all travel expenses related to employee training are recorded together in one category, while the expenses related to all other types of travel are broken down into various categories.

Description of Types of Travel Expenses

Table 4

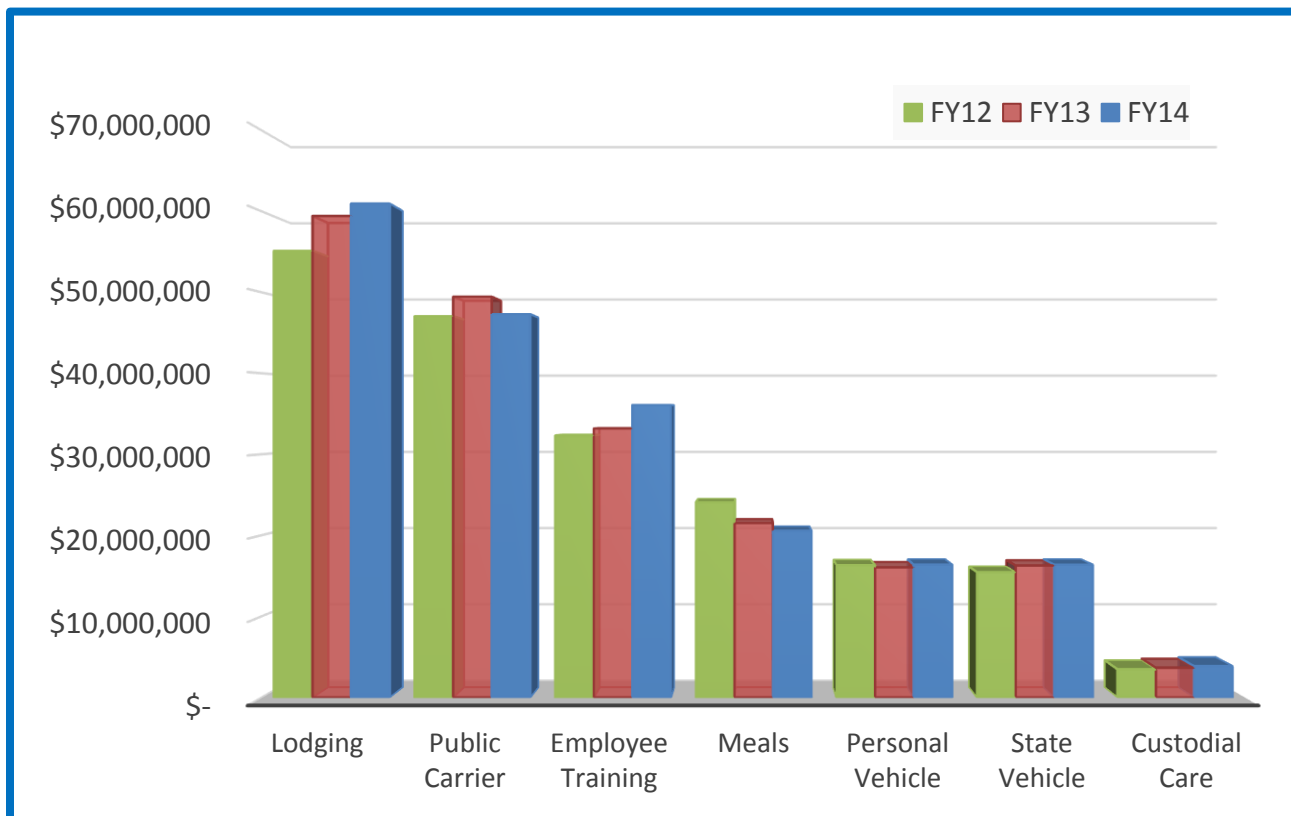
Type of Expense	What is Included
Employee Training	<i>Airline travel, taxi, tolls, lodging, meals and personal vehicle mileage reimbursement associated with employee training and development.</i>
Lodging	<i>Lodging and miscellaneous expenses such as parking fees and tolls.</i>
Meals	<i>Meals incurred during trips or work assignments.</i>
Personal Vehicle	<i>Transportation by personal vehicle other than parking fees and tolls (these are recorded under Lodging and Miscellaneous).</i>
Public Carrier	<i>Airline travel, airport limousine, bus, leased vehicle, taxi, train, and watercraft. This also includes expenses for Enterprise rental cars.</i>
State Vehicle	<i>State vehicles, such as the Commonwealth's centralized fleet of vehicles managed by the Office of Fleet Management Services, other than parking and tolls.</i>
Custodial Care	<i>Transportation and subsistence for persons in the care or custody of a State agency. This includes the extradition of prisoners and all travel expenses of the guards.</i>

Chart 2 shows statewide expenses broken down by type of travel expense. The expense trends are consistent over the three years with Lodging as the largest type of expense totaling \$55

to \$60 million annually. This category includes lodging and hotel costs and other miscellaneous expenses such as tips, parking, and toll expenses. The next largest category of travel expenses is Public Carrier expenses which is close to \$50 million annually. The Public Carrier category includes expenses for travel using airlines, buses, taxis, and trains. The Lodging and Public Carrier categories combined account for over half of all statewide travel expenses.

**Statewide Travel Expense by Type
Fiscal Years 2012 – 2014**

Chart 2



Source – CARS and university financial reporting systems

While the information in Chart 2 provides an overview of the various types of travel expenses statewide, the ability to drill down and analyze travel expenses further is limited by the CARS account structure for expenses. As an example, information on how much the Commonwealth spends annually in airline costs would be of interest, but it is difficult to isolate these costs because airline costs are included in the Public Carrier category along with other costs, including rental cars and trains. Additionally, airline costs associated with travel for employee training are recorded in a different category, Employee Training. The Employee Training category was established in 2000 to allow separate tracking of training costs; however, this account structure inhibits the ability to further analyze details on statewide travel expenses.

A similar issue exists for lodging and hotel costs which you would also expect to be significant on a statewide level. These costs are included in the Lodging category in Chart 2, but can also be recorded in the Employee Training category if the lodging is related to a training class or conference. As a result, it is difficult to isolate how much the Commonwealth is spending on an annual basis for hotels and lodging statewide. Based on Chart 2, it is expected that these costs are at least \$50 million annually.

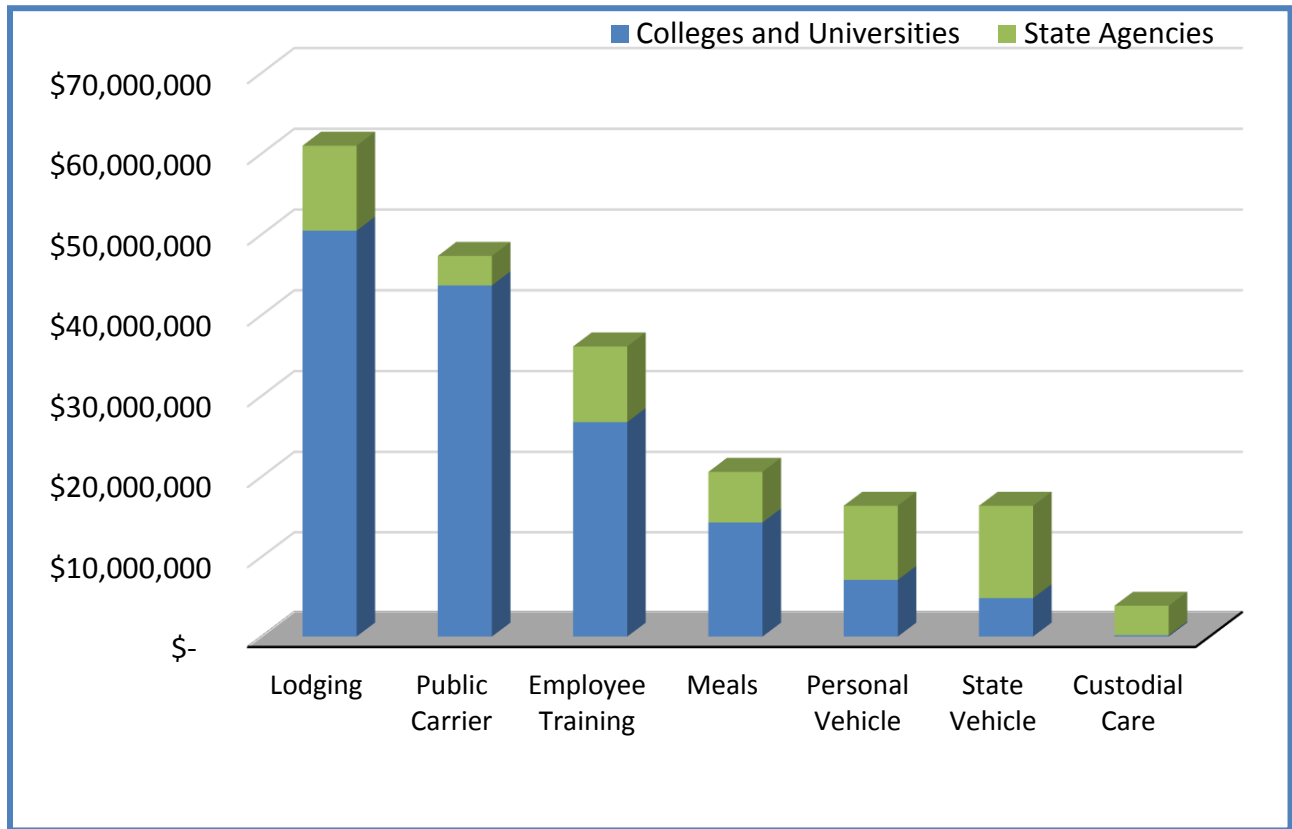
Both the CARS and Cardinal expense account structure create a lack of transparency when trying to analyze statewide travel expenses in more detail. As an example, we cannot compute how much the state spends in airline travel annually.

The expense account structure in CARS creates this lack of transparency when trying to drill down into statewide travel expenses for more detailed analysis. This account structure has carried forward into Cardinal, the Commonwealth's new financial reporting system, so it is not expected that the new financial system will provide any additional opportunities for statewide travel expense analysis. The financial reporting systems at some universities and larger agencies, which tend to have more detailed and robust account structures, do provide some additional opportunities for analysis; however, even then data limitations can make it difficult to calculate total airline costs for an individual entity, as an example.

Although there are some data limitations, there are opportunities to further drill into the available data to gain additional information on the nature of travel between the different types of entities. Chart 3 shows fiscal year 2014 travel expenses by type broken out between state agencies and colleges and universities to highlight the differences in the nature of travel.

Type of Travel Expenses by Agency Type Fiscal Year 2014

Chart 3



Source – CARS and university financial reporting systems

Chart 3 highlights the differences between the various entity types and the nature of their expenses. A review of Chart 3 shows the most significant types of travel expenses for state agencies are Employee Training, State Vehicle, and Lodging, while the most significant areas of expense for universities are Lodging and Public Carrier expenses. The biggest contrast is seen in the Public Carrier category which is a significant expense area for colleges and universities, but not for state agencies. This variation is not surprising given the Public Carrier category includes airline travel which is more common at universities where national and international travel occurs more frequently.

Airline Travel Costs

Although data limitations preclude us from computing airline travel expenses for the Commonwealth as whole, we can identify some specific expenses to estimate the minimum amount that certain entities spend annually on airline travel. It stands to reason the majority of the airline travel costs are occurring at some of the colleges and universities we previously identified as our highest spending agencies. Table 5 shows airlines costs we identified for 2014 at the top four spending universities. This amount is intended to represent a minimum of what was spent on airline travel and is not intended to represent all airline travel costs at each university.

As an example, Virginia Tech periodically estimates total airlines travel costs as part of their contract renewal process for certain contracts. Virginia Tech estimates they spend \$6 million annually which appears reasonable given that we were able to identify at least \$4.5 million in airline travel for fiscal year 2014. As Table 5 shows, when looking at only the top four spending agencies, we identified at least \$16 million as being spent in airline travel annually.

**Identifiable Airline Costs for Top Spending Universities
Fiscal Year 2014**

Table 5

2014	
Virginia Tech	\$4,536,351
UVA - Academic	\$3,912,134
VCU	\$5,029,503
GMU	\$2,994,083
Total	\$16,472,071

Source – University financial reporting systems (VT, VCU, and GMU) and charge card data (UVA)

To add context to our analysis of airline travel, statewide charge card data provides further opportunities to identify airline costs at the vendor level. As discussed in our interim report, travel expenses can be paid in a number of ways including regular vendor payments, small purchase and travel charge cards, or employee reimbursement for expenses. Table 6 shows airline travel paid using state charge cards and the significance of certain airline vendors.

**State Charge Card Expenses by Vendor – Airline Travel
Fiscal Year 2014**

Table 6

2014	
United	\$5,105,953
US Air	4,979,600
Delta	4,535,060
American	1,569,633
Other airlines	3,920,287
Total	\$20,110,533

Source – P-Card, Airline Travel card and Individual Travel card data

Table 6 shows that a majority of airline travel costs paid using state credit cards were concentrated in several large airline vendors. These four vendors accounted for close to 80 percent of airline travel costs paid with the charge card. The airline travel analysis, both by vendor and also by entity, is important given the significance of these expenses as part of overall statewide travel expenses and to provide context for the organizational and contracting discussions that follow.

TRAVEL MANAGEMENT IN THE COMMONWEALTH

The Commonwealth does not have a statewide approach to travel management. Aside from a statewide rental car contract, there are no other statewide travel related contracts available to both agencies and universities to use. With the absence of statewide contracts or an enterprise wide approach, agencies and universities have developed their own approaches and strategies to manage travel expenses at their respective entities. The amount of travel, as well as the nature of the travel, impacts how individual entities have decided to manage this area of operations and we will explore the different ways agencies and universities are managing travel expenses further in this section.

Our interim report included an overview of statewide travel processes to provide an understanding of the relevant state requirements, as well as a general understanding of how the process works. This information is included in this report as [Appendix C](#) to provide background information on statewide travel expenses and processes.

As discussed in our interim report, the only statewide travel related contract in the Commonwealth is the Enterprise rental car contract. General Services is responsible for procuring and overseeing this contract, and agencies are expected to make a good faith effort to use this contract when practical. General Services has not pursued additional travel related statewide contracts or travel discount programs due to other priorities and a lack of resources. Another consideration when discussing statewide contracting opportunities is the Commonwealth's higher education restructuring efforts. These efforts have implications for travel contracting opportunities and we discuss this in more detail later in this section.

With the lack of a statewide approach to travel management, agencies and universities have developed their own approaches and processes for managing travel.

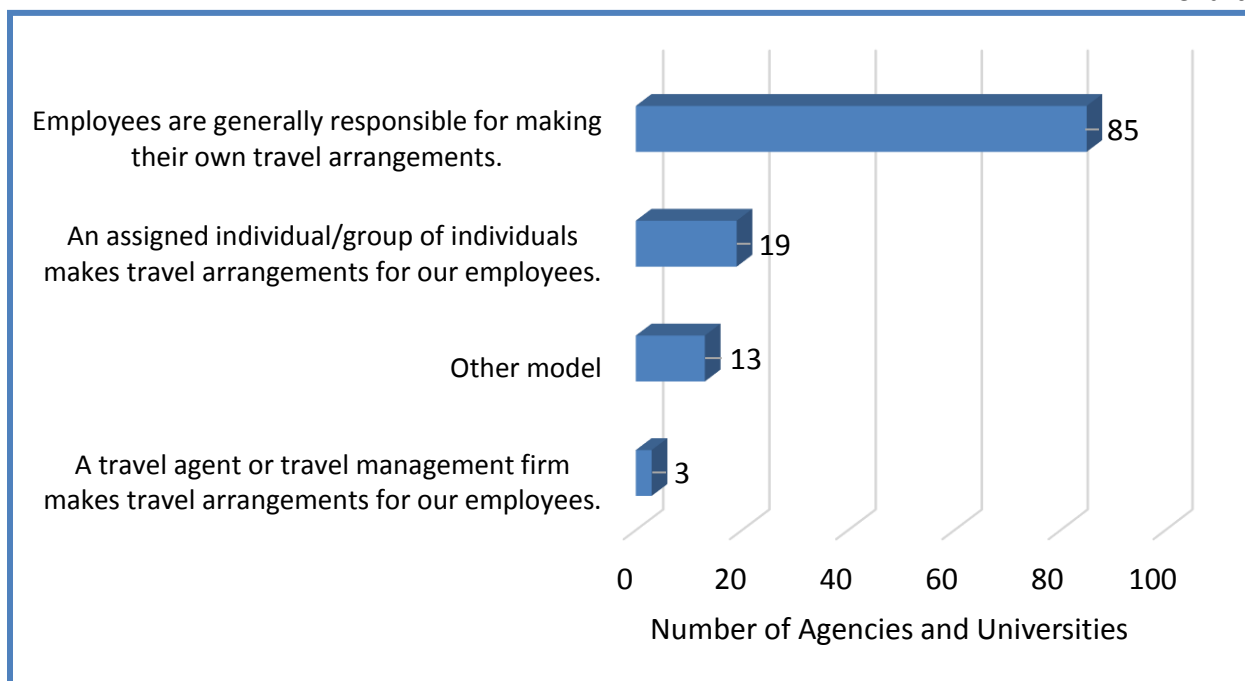
Travel will vary greatly between different agencies and universities given the diverse nature of programs and entities in the Commonwealth. Some agencies and universities will have extensive travel, both national and international, while some agencies will have minimal travel. As a result, there are a number of different approaches being taken across agencies and universities. Our interim report included an overview of how some of the top spending agencies and universities were managing their travel expenses. To further our understanding of how agencies and universities are managing travel, we conducted a statewide survey to gain additional information on current practices over travel management.

Results of Statewide Survey on Travel Management

Our statewide survey included executive and judicial branch agencies, including colleges and universities, and independent agencies. The survey was intended to gather additional information on travel management approaches, as well as strategies being used to minimize expenses. We surveyed fiscal directors at 124 agencies and universities which included multiple agencies in statewide systems like Corrections and the community college system. We received 120 responses for an overall survey response rate of 97 percent and we have summarized the relevant questions and responses below.

Which of the following models best describes your agency's process for making travel arrangements and reservations for employees?

Chart 4

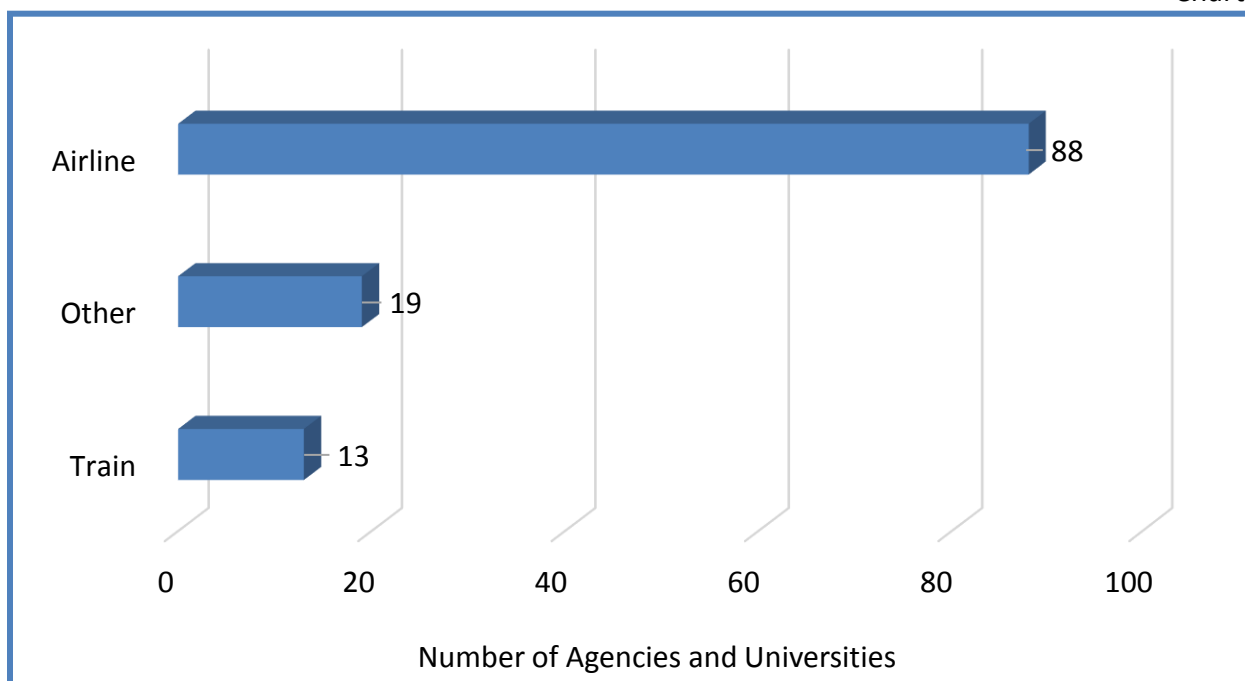


There are a number of different approaches being used and often this is driven by the amount of and nature of an entity's travel. The survey responses showed that a majority of agencies and universities have individual employees make their own travel arrangements. The second most common approach is an assigned individual or a group of individuals in an agency who are responsible for making travel arrangements for employees. There were very few agencies who exclusively used a travel agency or travel management firm to make travel arrangements for employees.

There are also a number of agencies and universities, including several of the top spenders, who use a hybrid approach where employees are responsible for making their own travel arrangements through contracted travel agencies or through a travel management system. As discussed in our interim report, Virginia Commonwealth University (VCU) uses the Chrome River travel management system, which interfaces with certain travel agencies as well as their internal financial reporting system. Recently, several other universities have implemented this system as well to gain additional travel efficiencies.

What method of transportation, other than State or personal vehicles, do your employees use most frequently when traveling?

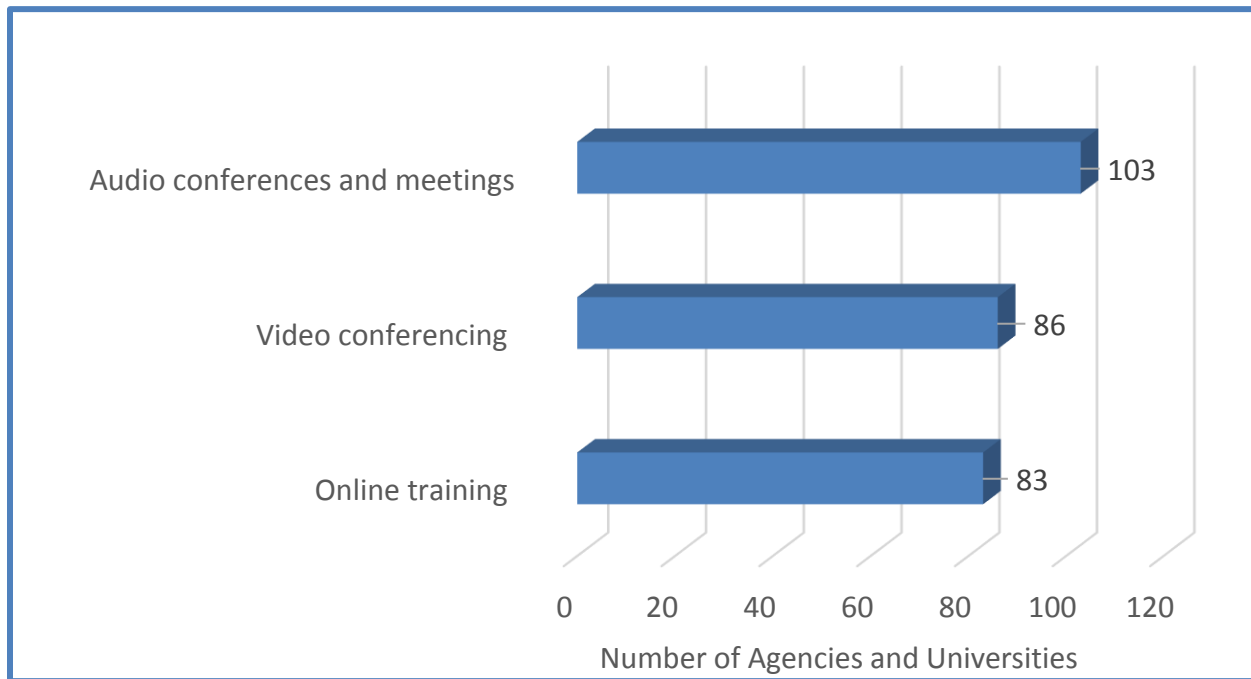
Chart 5



Over 85 (75 percent) agencies and universities responded that aside from state and personal vehicles, airlines were the most frequently used method of travel for its employees. This supports our earlier analysis which showed that airline travel expenses are a significant expense, especially for colleges and universities. The Commonwealth is spending at least \$20 million annually on airline travel and much of this appears to be concentrated in a few airline carriers. Although this is a significant expense area statewide, there are no contracts with individual airlines. However, it is expected that the travel agency contracts used by universities include some airline discounts, but there is no way to quantify this.

Does your agency use any of the following to minimize travel costs?

Chart 6

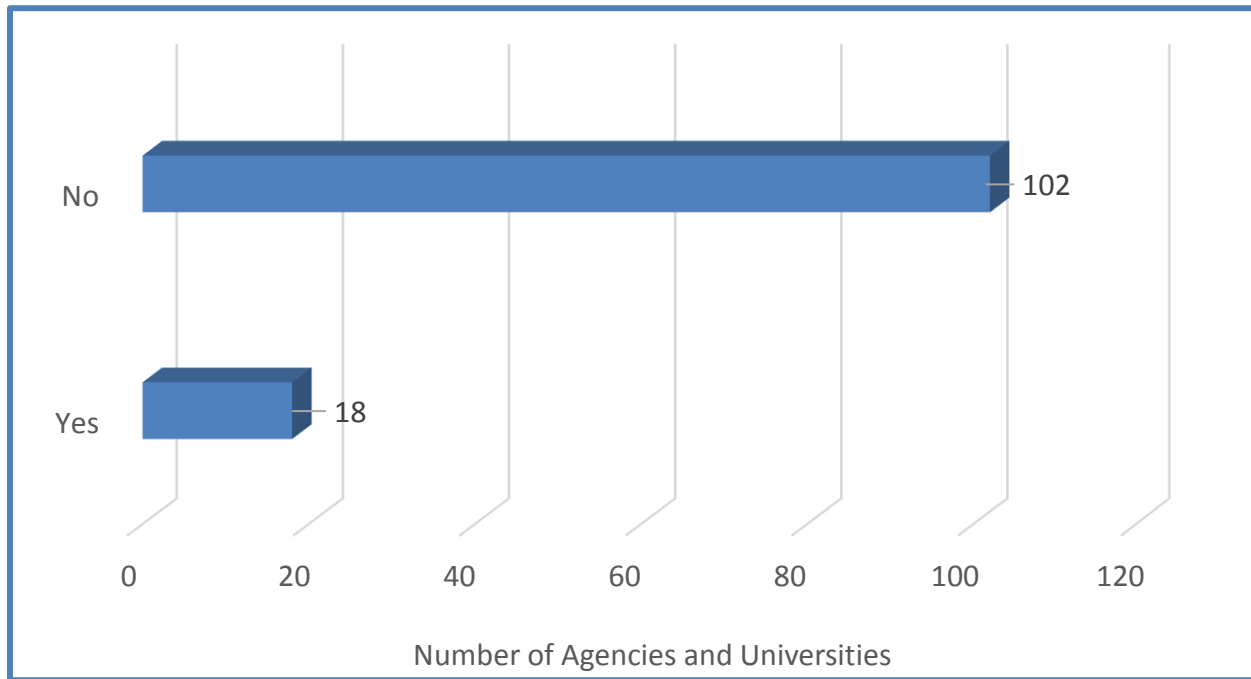


Almost every agency and university that responded to our survey is using some form of technology to minimize travel costs. With the multitude of options in today's environment, agencies are using a variety of products for teleconferencing, video conferencing and online training. There are a number of different technologies and approaches being used depending on the agency, their resources, and their specific needs. In particular, agencies that have multiple locations throughout the state, such as Corrections and community colleges, have definite opportunities to leverage technology as a means to minimize travel costs.

Aside from technology, many agencies and universities have employed other strategies to minimize travel costs. Examples include requiring carpooling where possible and sharing state cars with other agencies when they are traveling to the same location. Many agencies and universities also restrict how many staff can attend the same training or meeting and they routinely schedule events to minimize the amount of overnight travel necessary. Agencies and universities appear to be doing a number of things to minimize travel costs based on the specific needs of their agency and programs.

Does your agency have any contracts for travel (i.e., contracts with travel agent, airlines) other than the statewide Enterprise rental car contract?

Chart 7



The majority of respondents did not have any travel related contracts other than the statewide Enterprise rental car contract. Of the entities who responded that they did use travel related contracts, these are primarily colleges and universities as might be expected. The majority of colleges and universities use some type of contracting to manage travel arrangements and costs. These contracts are usually with a travel agency, as opposed to contracts with a specific hotel chain or airline, although some universities had contracts with local hotels for conference and lodging services. Usually the employee is still responsible for making their own travel arrangements using the contracted travel agency, which can involve using a booking tool provided by the travel agency.

Several of the larger universities may have more than one travel agency they contract with for travel arrangements and often they may use different companies for different types of travel (e.g., athletic, study abroad, etc...). Table 7 shows examples of universities that have travel agency contracts. Several of these represent situations where one university procured the contract and other universities have joined the contract. This cooperative contracting approach is discussed in more detail in the next section, *Travel Contracting for Higher Education*.

Examples of College and University Travel Agency Contracts

Table 7

College or University	Travel Agency Vendor
Christopher Newport University	Uniglobe Travel
College of William and Mary	Covington Travel
George Mason University	Covington Travel, Uniglobe Travel
James Madison University	Travel Counsellors, Lincoln Travel, BS Travel
Norfolk State University	Covington Travel
Northern Virginia Community College	Covington Travel, McNair Travel
Radford University	Wade Hurst Corp – Christian Travel
University of Virginia	Christopherson Business Travel,
Virginia Commonwealth University	Christopherson Business Travel
Virginia Tech	Covington Travel, Uniglobe Travel, Shorts, Martin Travel

Source: Statewide travel survey results and individual contracts

Generally, the travel agency contracts' pricing model is based on a set fee per transaction or ticket, but some contracts use a percentage approach per ticket or transaction that has a maximum cap. Usually, the travel agency will include some language in the contract about how they search out the best possible fares and rates, but the various travel agencies have a variety of different approaches and systems they use to do this. Additionally, some of these contracts contain discounted fees should travel volume reach a certain limit.

The survey responses to the contracting question brought to light several different issues in regards to collaborative efforts and contracting approaches taken in the higher education area and these are discussed further below.

Travel Contracting for Higher Education

Certain colleges and universities have additional flexibility and options in travel contracting. These institutions have negotiated specific agreements and MOUs with the state, as part of the Commonwealth's higher education restructuring efforts, which allow them operational autonomy in various areas, including procurement. With the exception of Christopher Newport University, the Community College System, Norfolk State University, Richard Bland College and Virginia State University, all other colleges and universities are exempt from General Services' procurement requirements; however, it is important to note that these agreements do require the universities remain committed to statewide contracts and also requires cooperation and coordination with central agencies, like General Services.

College and universities have taken some steps to collaborate and consolidate purchasing power. As an example, eleven universities have joined to create an association, the Virginia Association of State College and University Procurement Professionals (VASCUPP). VASCUPP allows for cooperative procurements, meaning one university procures a contract but other member colleges and universities have the ability to join on. Contracts are maintained in a VASCUPP contract database which allows any VASCUPP school to access contracts for a variety of goods and services.

In addition, purchasing representatives from the VASCUPP schools meet frequently to discuss the database and contracting opportunities.

A review of the VASCUPP contract database in April 2016 for travel contracts shows there are 33 different travel related contracts for the member colleges and universities. It appears that most of the contracts specifically cataloged as “travel” have been negotiated and entered into by one university, although others are allowed to “piggyback” on these contracts. There are several instances where VASCUPP members have “piggybacked” on contracts, usually travel agency contracts.

Member colleges and universities are not required to include contracts in the VASCUPP database and there were several contracts in Table 7 that were not listed in the database. One reason for this is that a university may have a very tailored contract for services and they may not be interested in offering this contract as a cooperative procurement to other institutions. Another explanation for this is if a contract does not include the cooperative/joint terms and conditions then it cannot be used by other entities and may not be included in the database. The decision to make it a cooperative contract must be made during the procurement phase so the appropriate language can be included in the contract.

General Services has established requirements over cooperative procurements, which appear to allow state agencies to “piggyback” onto contracts through VASCUPP. In these cases, there are several requirements which must be met, including General Services’ approval, but we could find no instances where this occurred with travel related contracts.

While the higher education community has made some efforts to consolidate and leverage their purchasing power through VASCUPP, it is not clear how effective the cooperative procurement approach has been in generating savings in travel costs. Certainly allowing other universities to join a contract minimizes the additional time spent in the contract proposal and negotiating process so some efficiencies are to be expected; however, it does not appear this approach is fully leveraging the purchasing power of the higher education community since most of the VASCUPP travel related contracts are used only by the originating entity and these contracts are not generally accessible to any entities other than members.

Colleges and universities have made efforts to consolidate and leverage their purchasing power through VASCUPP and the Higher Education Procurement Initiative, but not all institutions are able to participate.

To address some of these issues, UVA has been leading a cooperative procurement initiative over the last year. This initiative, called the Virginia Higher Education Procurement Cooperative (HEPC), was originally included in Governor McDonnell’s budget proposal for fiscal years 2015 and 2016. Although the original language and funding were not approved by the General Assembly, UVA management decided to continue with these efforts and has devoted two staff to this initiative. The funding for this initiative is currently provided by participating universities, primarily VASCUPP members, since not all colleges and universities can participate.

The purpose of the HEPC initiative is to identify cooperative sourcing and contracting opportunities within the higher education community to more fully leverage purchasing power of these entities. The initial step was a review of the 1,200 contracts in the VASCUPP database to identify those vendors with whom there were multiple contracts in an effort to look for opportunities to consolidate contracting and better leverage purchasing power.

As a travel-related example, UVA had a contract with Enterprise rental car which was set to expire. A review of the VASCUPP database showed that Radford also had a separate Enterprise contract and there were some schools using the statewide Enterprise contract. Through the HEPC initiative, UVA staff are currently in the process of finalizing a new Enterprise rental car contract that will replace the individual contracts and be available to the other member schools. They estimate savings at \$300,000 annually to start with, but anticipate more savings due to volume discounts built into the contract as more entities participate. Once this contract is finalized, it will be added to the VASCUPP database and available to all member schools.

Before, negotiating the new contract, staff at UVA evaluated the statewide Enterprise rental car contract, but determined that it did not meet the needs of the HEPC. For example, they determined the statewide contract did not have negotiated rates for travel outside Virginia. They estimated that 30 percent to 40 percent of higher education car rentals are outside the state; therefore, they determined the statewide contract did not meet the business needs of the cooperative.

This Enterprise contract is an example of the approach the HEPC is taking to contract consolidation and cooperative outsourcing and this approach is extending well beyond travel related contracts. While the HEPC efforts do appear to be a step in the right direction in terms of leveraging purchasing power and addressing a fragmented contracting approach in the higher education community, there are some concerns since these efforts are being done with little consultation with General Services. As a result, it is not clear what impact, if any, these efforts might have on related statewide contracts already in place and if this has been considered. Additionally, these efforts do not currently extend to all colleges and universities as there are a handful of institutions who are unable to participate. And lastly, with these efforts still primarily focused on the higher education community, the state is unable to leverage the full purchasing power of the Commonwealth and there remain few options for state agencies in terms of travel related contracting that would help to minimize their costs.

TRAVEL MANAGEMENT IN OTHER STATES

State governments use a variety of different models for managing employee travel and the associated costs. The nature and volume of travel will vary greatly between states due to a number of factors. Additionally, different governance approaches, such as the Commonwealth's higher education restructuring efforts, also affect the comparability of processes between states. Despite these challenges, there is still some value in examining contracting trends and organizational models in other states in order to evaluate options which may be viable for the Commonwealth.

There are 35 states, including Virginia, who have at least one statewide travel related contract. Like Virginia, all 35 of these states have a statewide rental car contract; however, many states have taken a more expansive contracting approach to statewide travel management. Table 8 on the following page shows the different types of statewide travel related contracts by individual state. As shown, there are a number of different contracting approaches including contracts with dedicated travel agents, airlines and hotels.

Sixteen of the 35 states (45 percent) have statewide contracts with specific travel agencies or travel management companies. While a travel agency arranges travel for an individual, a travel management company provides additional services. As an example, a travel management company maintains visibility over all travelers and can provide reports to management on travel trends and expenses for requested time periods, in addition to making travel arrangements. Also, in an emergency situation, a travel management company can provide management with the names and location of all travelers in a specific location, which is especially beneficial when international travel is involved.

Sixteen states have statewide contracts with specific travel agencies and travel management companies.

Table 8 shows that 16 of the states also have statewide contracts with at least one, and sometimes multiple, airline carriers. Although a lesser number, there are also nine states that have implemented statewide hotel contracts with certain hotel chains. Some states with a contracted travel agency also had statewide airline or hotel contracts. Compared to some other states, Virginia trails behind in terms of statewide contracting options available to manage travel, but as discussed in the previous section, higher education restructuring has likely had an impact on statewide contracting opportunities.

Statewide Travel Contracts by State

Table 8

State	Travel Agent	Airline	Rental Car	Hotel
Alaska		√	√	
Arkansas		√	√	
California*	√	√	√	√
Colorado*	√	√	√	√
Florida			√	
Georgia	√	√	√	
Hawaii			√	
Idaho			√	
Illinois			√	√
Indiana			√	
Kansas	√		√	
Louisiana	√		√	
Maryland	√		√	
Massachusetts	√		√	√
Michigan			√	
Minnesota	√		√	
Mississippi	√		√	
Missouri			√	
Montana*	√	√	√	√
Nevada		√	√	
New Jersey			√	
New York	√	√	√	
North Carolina			√	
North Dakota		√	√	√
Oklahoma	√	√	√	√
Oregon*	√	√	√	
Pennsylvania*	√	√	√	√
South Carolina			√	
South Dakota			√	
Texas*	√	√	√	√
Utah*	√	√	√	
Vermont			√	
Virginia			√	
Washington			√	
West Virginia			√	

Source: Individual State Internet websites

* Statewide Travel Management Program

Of the 16 states contracting with travel agencies, seven have implemented Statewide Travel Management Programs (STMP) as shown in the table. STMPs are more formalized programs designed to provide a “one-stop shop” for employee travel needs. These programs, usually managed by a statewide office or the travel management company, assist travelers' needs through the use of contracted travel related services. By leveraging the state's total travel spending, a state can gain the advantage of the most economical rates and fares available because these programs generally include discounts for air, rental car, hotel, and other methods of travel.

States that have a STMP have various models and approaches, but usually have an extensive website designed to be a “one stop” shop for employee travel. The programs in California, Colorado, Oregon, and Texas are mandatory for all executive branch agencies. California’s program also extends to cities, counties and public school districts in the state. Pennsylvania’s program is mandatory for all state travelers and some additional information on this program is provided below as an example of how this type of program works in another state.

Pennsylvania - ADTRAV Travel Management Program

The Pennsylvania STMP [\(link\)](#) was implemented January 1, 2012, and applies to all departments, boards, commissions, and any other individuals reimbursed for official state travel. Under the program, a contracted travel management company provides an online booking tool for employees to use when making travel reservations. This booking tool incorporates not only the management company’s contracts and discounts, but also those that have been negotiated by the state procurement office. While the travel management company oversees travel policy compliance, the Pennsylvania Office of Travel Operations is responsible for tracking compliance for the online booking tool.

For airline travel, there are extensive policies which govern airline travel reservations such as travelers must select the lowest logical coach fare. Each agency has a designated account that is charged automatically when flights are booked through the travel management company. No other form of payment may be used for air travel. State travelers are not permitted to use corporate travel cards or personal credit cards to pay for airfare, although there are other payment options for expenses other than airfare.

State business travelers are eligible for overnight lodging if their destination is more than 50 miles from home and headquarters. Within Pennsylvania, a preferred property must be chosen if available within a reasonable distance from the trip destination. An in-state preferred lodging guide is provided which includes numerous properties throughout the state with specifically negotiated rates that will be charged. These rates are all at or below the Federal General Services Administration (GSA) per diem rate, and in many cases, savings of over \$15 per night can be found.

Rental cars are also handled through the travel management company and a calculation similar to Virginia’s statewide Enterprise contract calculation is required.

One other noteworthy STMP is Oregon's program. Oregon uses a nationwide travel management contractor through the National Association of State Procurement Officials (NASPO). NASPO has formed a nationally focused cooperative purchasing organization called ValuePoint which seeks to aggregate the demands of all 50 states.

As an example, Oregon spearheaded an initiative to compile a nationwide database of individual hotel properties willing to honor GSA rates or below for state and political subdivision employees. All 50 states and the District of Columbia, as well as political subdivisions, can use this database, called the ValuePoint Travel Center lodging database ([link](#)). The database includes over 11,000 properties nationwide and is the first ever multi-state national hotel program. Aside from the hotel program, the ValuePoint travel center also provides access to three contracted nationwide vehicle rental companies and discounted airfare agreements.

There are currently 16 states who are accessing not only the lodging database, but also the ValuePoint online booking tool, called "GetThere", which provides access to additional travel contracts or services. Virginia does not participate in these national cooperative efforts. Currently there are a number of challenges with joining national cooperative contracts, including the fact that the procurement and contracting processes might not have met the applicable requirements in Virginia. Having said that, there could be opportunities to participate in initiatives like this in the future, but the best opportunities for success are more than likely ones where Virginia is involved from the onset to ensure the process meets the requirements.

CONCLUSIONS AND RECOMMENDATIONS

Overall, the Commonwealth does not have a statewide approach to managing travel expenses. The Commonwealth spends close to \$200 million annually for travel, but without a statewide strategy, the current approach to contracting and travel management is fragmented and does not fully leverage the purchasing power of the Commonwealth.

With the absence of a statewide approach, state agencies and universities have employed various approaches to manage travel at their individual entities and they have also implemented strategies to minimize costs. Some of the larger entities have developed very robust travel management programs and contracting approaches, which likely generate savings and efficiencies for the individual entities. Having said that, these efforts are often limited by the purchasing and negotiating power of each individual entity, or by a community of entities in the case of the higher education community.

An additional consideration when looking at statewide travel management approaches is the Commonwealth's higher education restructuring efforts. Higher education institutions account for close to 75 percent of statewide travel costs, but restructuring efforts affect the ability of the Commonwealth to employ a statewide approach to travel management and contracting. With the procurement autonomy granted to various institutions under restructuring, the Commonwealth does not have the authority to require participation in any statewide travel contracting programs, thus limiting the Commonwealth's purchasing power.

Recommendation #1

While the restructuring management agreements and MOUs state that universities should coordinate with General Services to obtain better pricing and quality, the General Assembly should consider adding language to further require coordination between General Services and universities when considering cooperative procurements. The General Assembly should consider modifications to General Services' enabling legislation ([Code of Virginia §2.2-1111](#)) as well as the Restructured Higher Education Financial and Administrative Operations Act ([Code of Virginia §23-38.110](#), or [§23.3-1017](#) effective October 1, 2016). This would serve to strengthen and reiterate the Commonwealth's commitment to fully leveraging the state's purchasing power while also recognizing the procurement autonomy granted under restructuring.

The higher education community has been working towards leveraging their own purchasing power through efforts like VASCUPP and UVA's cooperative procurement initiative, HEPC. These efforts certainly provide a more consolidated contracting approach for the colleges and universities involved; however, these strategies are currently limited to only a certain segment of state government. From a statewide perspective, this is still a fragmented approach which does not fully leverage the full purchasing power of the state.

Recommendation #2

Ideally, higher education institutions and General Services should work together to develop an approach to travel management that would fully leverage the state's purchasing power. Many of the larger universities already have robust travel management programs in place, along with contracting experience in this area. Consideration should be given to whether it would be appropriate for higher education institutions to take the lead and work with General Services, as well as travel vendors, to identify strategies and approaches that could be rolled out to other parts of state government. This may leverage the experience of the higher education community and use it to identify costs savings opportunities and efficiencies throughout the Commonwealth.

Any opportunities for progress towards a statewide approach would be dependent on cooperation and coordination between the higher education community, General Services, and also Accounts who is responsible for overall travel policy. There would be a number of challenges with a statewide approach, some of which are inherent with higher education restructuring. One significant obstacle would be the fact that there is not one consistent set of procurement and contracting requirements which all entities have to follow since certain universities have been granted autonomy in this area.

Another factor is the different nature of the travel needs of the higher education community as compared to those of state agencies. For example, higher education institutions generally have more national and international travel than most state agencies. Given some of these issues, it is questionable whether these challenges could be overcome. Having said that, we believe opportunities for cost savings and efficiencies remain that are worth consideration and there are other options that should be considered if a statewide approach is not feasible.

Recommendation #3

Even if a comprehensive statewide approach is not possible, another option is a "piecemeal" approach to travel contracting that would include higher education institutions. For example, if there were areas of common need such as certain airlines or hotel chains, a statewide contract could be considered for certain aspects of travel if General Services and higher education institutions worked together to ensure that a contract was negotiated and implemented that met the needs of both agencies and universities. Certainly, any cooperative contracting approaches will have the best chance for success if all parties are involved from the onset to ensure the applicable requirements can be built into any contracts.

Recommendation #4

If it is determined that a statewide approach to travel contracting is not feasible in any area, General Services should still explore contracting options for agencies and universities that follow General Services' requirements. Other than the statewide rental car contract, these entities currently have no statewide contracting options for managing their travel. Given that travel expenses for these agencies are at least \$50 million annually, there are still opportunities to expand into other contracting areas in an attempt to leverage purchasing power and recognize cost savings.

There are various models and approaches that should be considered including contracting with a travel agency or multiple travel agencies, contracting directly with various airlines, or negotiating hotel discounts that are below what is currently offered through the GSA rates. There are various programs in other states as well as national initiatives that can serve as a resource. The experience of other states, as well as national cooperatives, provide opportunities to leverage other's experience in these areas to learn what might work best in the Commonwealth.

Recommendation #5

General Services should research the feasibility of joining in on the NASPO lodging database, ValuePoint. Although the Virginia Public Procurement Act (VPPA) has specific requirements for procurements, it would be beneficial to determine if the ValuePoint program meets those requirements. There are possible savings that could be realized within the Commonwealth, but also in travel to other states where reduced rates have been negotiated.

Consideration should be given to the nature of the travel when determining the approach or where to concentrate efforts. For example, airline travel might not be a significant area of expense for many state agencies, but hotels costs could be, so it may be better to analyze the nature of the travel and concentrate efforts in these areas initially. This report contains analysis which could serve as a starting point for these considerations.

As we have discussed throughout this report, there are limitations in the available travel expense data which hamper the ability to fully analyze certain aspects of travel expenses and determine the complete volume of spending in an area such as airlines travel or hotel costs. As a result, some information is not currently available which could lead to additional leverage in negotiation of statewide contracts.

Recommendation #6

The Department of Planning and Budget, along with Accounts, should review the object code structure governing the recording of travel expenses in the statewide financial reporting systems. This object code structure has been in place for over thirty years with minimal changes and consideration needs to be given to whether or not the current structure meets the needs for modern day financial reporting and analysis.

Although there are a number of factors that must be considered, we believe there are opportunities for potential savings and efficiencies in the Commonwealth's travel expenses. While a statewide approach would be ideal for fully leveraging the purchasing power of the Commonwealth and maximizing savings, this may not be feasible and there are other steps and options that should be considered to maximize cost savings and generate efficiencies.



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July 18, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

We have reviewed the Commonwealth's statewide travel expenses and are pleased to submit our final report entitled **Statewide Review of Travel Expenses**. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Exit Conference and Report Distribution

We provided an initial copy of this report to management at the Department of General Services, Department of Accounts, Department of Planning and Budget, and higher education institutions specifically cited in this report on June 21, 2016, and a revised copy on August 1, 2016. We also met with management from the Department of General Services on August 11, 2016. For those entities which elected to prepare responses to the recommendations from our review, we have included their responses in the section titled "Review Responses." We did not audit these responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

LCW/clj

Travel Expenses by Agency – Fiscal Years 2012, 2013, and 2014

This appendix shows travel expenses by agency for each of the three fiscal years for executive branch, judicial branch and independent agencies. The travel expense information came directly from CARS for most agencies. Travel expense information for four universities and two agencies came directly from their financial systems. These entities are indicated with an asterisk ().*

Agency #	Agency Name	2012	2013	2014
111	Supreme Court and Related Agencies	\$ 7,284,698	\$ 7,369,539	\$ 8,043,311
112	Judicial Inquiry and Review Commission	7,453	6,531	7,198
117	Virginia State Bar	479,751	450,609	464,677
119	Lieutenant Governor	9,475	8,235	6,054
121	Office of the Governor	66,045	70,398	55,292
122	Department of Planning and Budget	4,520	3,306	3,941
123	Department of Military Affairs	411,178	471,284	218,175
127	Department of Emergency Services	989,971	745,318	637,727
129	Department of Personnel and Training	47,068	59,525	63,633
132	State Board of Elections	20,276	41,015	17,203
136	Virginia Information Technologies Agency	147,308	153,496	191,280
140	Department of Criminal Justice Services	589,204	98,635	688,427
141	Office of the Attorney General	297,584	207,936	461,243
146	The Science Museum of Virginia	20,920	24,120	27,298
148	Virginia Commission for the Arts	31,763	40,262	37,083
151	Department of Accounts	11,719	14,834	14,143
152	Department of the Treasury	107,903	65,759	74,367
154	Department of Motor Vehicles	1,258,205	1,395,879	1,504,544
156	Department of State Police	1,735,509	1,940,851	1,703,317
157	Compensation Board	71,684	75,661	67,344
158	Virginia Retirement System	377,540	425,117	594,412
160	Virginia Criminal Sentencing Commission	3,862	23,296	19,881
161	Department of Taxation	788,629	836,206	912,592
163	Department for the Aging	72,916	-	-
165	Department of Housing and Community Development	353,447	337,792	304,842
166	Secretary of the Commonwealth	443	232	1,322
170	Council on Human Rights	1,857	-	-
171	State Corporation Commission	1,937,836	2,036,399	2,218,218
172	State Lottery Department	215,861	206,605	249,207
174	Board of the Virginia Higher Education Tuition Trust	169,874	234,968	270,488
175	Virginia Office for Protection and Advocacy	59,036	62,885	14,742
180	Secretary of Administration	1,364	3,261	4,799

Agency #	Agency Name	2012	2013	2014
181	Department of Labor and Industry	492,148	406,901	364,905
182	Virginia Employment Commission	1,152,177	773,957	660,659
183	Secretary of Natural Resources	15,636	14,255	6,856
184	Office of the Secretary of Technology	15,488	11,356	5,067
185	Secretary of Education	13,316	21,448	17,263
186	Secretary of Transportation	21,166	23,825	19,967
187	Secretary of Public Safety	1,846	4,765	7,529
188	Secretary of Health and Human Resources	5,044	5,224	6,281
190	Secretary of Finance	905	1,725	1,953
191	Virginia Workers' Compensation Commission	210,120	278,878	303,366
192	Secretary of Commerce and Trade	10,470	12,593	10,493
193	Secretary of Agriculture and Forestry	54,980	100,592	36,301
194	Department of General Services	353,017	352,752	410,490
199	Department of Conservation and Recreation	584,176	649,205	647,942
200	Comprehensive Services for At-Risk Youth and Families	508	-	-
201	Department of Education and Related Agencies	1,057,820	867,922	881,619
202	The Library of Virginia	103,245	90,384	93,935
204	The College of William and Mary in Virginia*	4,563,134	5,021,272	5,820,889
207	University of Virginia-Academic Division*	32,365,490	32,655,862	37,215,018
208	Va. Polytechnic Institute and State University*	39,836,986	42,032,830	44,580,730
209	University of Virginia Medical Center	8,117,745	10,234,204	2,271,935
211	Virginia Military Institute	475,841	598,338	714,662
212	Virginia State University	3,572,883	2,067,616	1,946,279
213	Norfolk State University	1,762,994	2,090,058	1,902,937
214	Longwood University	1,450,335	1,608,538	1,748,831
215	University of Mary Washington	610,410	606,615	690,121
216	James Madison University	7,319,500	7,022,488	7,841,249
217	Radford University	1,545,951	1,539,318	1,675,778
221	Old Dominion University	1,962,828	1,868,623	1,757,011
222	Department of Professional and Occupational Regulations	280,059	277,004	243,454
223	Department of Health Professions	342,808	354,430	337,601
226	Board of Accountancy	16,847	15,097	18,617
232	Department of Minority Business Enterprise	32,865	31,827	21,573
233	State Board of Bar Examiners	65,907	51,071	45,987
236	Virginia Commonwealth University - Academic Division*	16,271,489	17,183,716	17,370,185
238	Virginia Museum of Fine Arts	244,098	243,530	209,662

Agency #	Agency Name	2012	2013	2014
239	Frontier Culture Museum of Virginia	9,455	7,304	9,838
241	Richard Bland College	27,976	24,697	54,885
242	Christopher Newport University	1,350,317	1,626,748	1,616,589
245	State Council of Higher Education for Virginia	95,726	62,076	87,646
246	University of Virginia's College at Wise	589,506	600,830	804,040
247	George Mason University	11,827,363	12,012,593	11,229,254
260	Virginia Community College System - All Campuses	7,058,461	6,708,195	7,000,000
262	Department of Rehabilitative Services and Related Agencies	1,953,887	2,059,679	2,225,165
268	Virginia Institute of Marine Science	876,411	838,997	874,697
301	Department of Agriculture and Consumer Services and Related Agencies	1,795,037	1,757,603	1,686,958
307	Virginia Agricultural Council	11,161	12,874	10,149
310	Virginia Economic Development Partnership*	1,611,802	1,391,993	1,241,640
319	Chippokes Plantation Farm Foundation	3,187	-	-
320	Virginia Tourism Authority*	535,141	504,374	596,790
325	Department of Business Assistance	131,962	113,050	52,881
330	Virginia-Israel Advisory Board	27,114	21,422	19,431
350	Small Business and Supply Diversity	-	-	19,162
402	Marine Resources Commission	685,867	567,228	528,037
403	Department of Game and Inland Fisheries	742,620	615,221	715,197
405	Virginia Racing Commission	72,385	74,066	57,558
407	Virginia Port Authority	359,163	232,554	163,323
409	Department of Mines, Minerals and Energy	155,867	157,750	179,107
411	Department of Forestry	211,642	174,051	234,702
417	Gunston Hall	-	-	169
423	Department of Historic Resources	63,782	53,592	75,710
425	Jamestown-Yorktown Foundation	182,529	171,631	199,575
440	Department of Environmental Quality	740,549	757,963	909,664
454	Office of Commonwealth Preparedness	24,119	19,566	33,279
501	Department of Transportation	4,081,237	4,256,258	4,195,095
505	Department of Rail and Public Transportation	81,158	68,943	68,084
506	Motor Vehicle Dealer Board	30,051	36,968	43,432
507	Board of Towing and Recovery Operators	15,984	5,236	-
601	Department of Health	4,459,706	4,196,917	4,753,074
602	Department of Medical Assistance Services	240,953	251,883	295,697
606	Virginia Board for People with Disabilities	88,235	118,474	72,570
702	Virginia Department for the Visually Handicapped	630,138	763,222	774,326

Agency #	Agency Name	2012	2013	2014
720	Department of Behavioral Health and Developmental Services and Related Agencies	560,225	743,182	830,129
750	Department of Correctional Education	291,540	-	-
751	Department for the Deaf and Hard-of-Hearing	15,921	16,843	15,927
765	Department of Social Services	1,553,428	2,122,005	1,886,568
766	Virginia Parole Board	5,317	4,411	,788
777	Department of Juvenile Justice	1,252,298	1,116,942	802,692
778	Department of Forensic Science	409,729	373,996	425,503
792	State Mental Health Hospitals	425,692	445,828	466,302
793	Virginia Training Centers	223,922	198,826	264,815
799	Department of Corrections and Related Agencies	3,012,896	3,978,599	4,261,303
841	Department of Aviation	174,641	170,582	193,259
848	Public Defender Commission	326,170	416,326	374,997
852	Virginia Foundation for Healthy Youth	44,346	38,870	50,559
853	Substance Abuse Prevention Office	4,404	-	-
912	Department of Veterans Services and Related Agencies	240,942	302,861	314,981
937	Southern Virginia Higher Education Center	31,669	28,157	34,211
938	New College Institute	2,764	6,107	12,707
942	Virginia Museum of Natural History	61,548	41,283	35,114
948	Southwest Virginia Higher Education Center	86,509	88,016	46,345
957	Commonwealth Attorneys' Services Council	196,955	199,285	211,151
960	Department of Fire Programs	618,617	697,295	745,453
962	Department of Employee Relations Counselors	10,546	-	-
999	Department of Alcoholic Beverage Control	928,164	1,044,165	891,780
	Total - All Agencies	\$193,763,867	\$199,525,714	\$201,463,213

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BACKGROUND INFORMATION FROM INTERIM REPORT

This appendix includes background information from our Interim Report that describes current travel processes in the Commonwealth. This information includes an overview of statewide travel processes to provide an understanding of the requirements as well as a general understanding of how the process works. We also include information on statewide travel policies and the role of the Department of Accounts and the Department of General Services, both central agencies. In addition, we discuss how travel expenses are recorded and classified in the state's financial reporting systems and the use of charge cards in the travel process.

OVERVIEW OF THE TRAVEL PROCESS IN THE COMMONWEALTH

Travel occurs for a variety of reasons in state government and can be a significant expense for many agencies as well as colleges and universities. Employees may have to travel as part of meeting their day-to-day job responsibilities or to obtain training and professional development. In addition, colleges and universities have unique programs and activities that may also require travel such as research and development activities, athletic team travel, and study abroad programs. While travel expenses may be a significant expense for certain agencies and universities, there are some entities with very little travel due to the nature of the programs or mission of the agency.

This section presents an overview of statewide travel processes to provide an understanding of the requirements as well as a general understanding of how the process works. It includes information on statewide travel policies and the role of the Department of Accounts and the Department of General Services, both central agencies. It also discusses how travel expenses are recorded and classified in the state's financial reporting systems and the use of charge cards in the travel process.

Statewide Travel Policies

The Department of Accounts (Accounts) is generally responsible for establishing statewide travel policies for executive branch agencies. There are several executive branch agencies, mainly universities, who have the authority to develop their own travel policies. In addition, Judicial, Legislative, and Independent agencies may establish their own policies subject to the relevant laws and their governing bodies.

Statewide travel policies for executive branch agencies are primarily set forth by Accounts in the CAPP Manual. These policies also apply to cabinet members and their staff as well as executive branch boards and commissions. Agencies may implement policies that are more restrictive, subject to approval by the agency head.

There are some additional travel policies set forth in the Appropriation Act and the Code of Virginia, which apply to all agencies and universities. These relate to when and how travel is reimbursed, the applicable rates for reimbursement, and the acceptable format for reimbursement requests. In addition, the Department of General Services establishes requirements specifically over the use of state-owned vehicles for travel.

As discussed above, the CAPP Manual is the primary source for statewide travel policies. Generally, these policies require that travel costs be limited to those expenses necessary to provide essential services to the citizens. These policies also discuss that there are several factors to consider – economy, prudence, and the necessity of travel. The CAPP Manual further requires travelers to seek ways to reduce the cost of travel. The relevant sections of the CAPP manual that set specific statewide travel policies are summarized below:

CAPP Manual Section 20335 - Travel Regulations

This section establishes overall travel policy including the travel reimbursement process and travel planning. It also sets specific requirements over lodging, meals, and incidental travel expenses, including allowable limits based on in- and out-of-state locations. Transportation policies are also established in this section, including travel using a vehicle as well as public transportation (e.g. airplane train, bus). Additional policies are applicable when using a state-owned vehicle, and these policies are established by the Department of General Services.

CAPP Manual Section 20336 - Agency Travel Processing

This section establishes policies over the use of travel advances, both temporary and permanent. Temporary travel advances are short-term and generally repaid within 30 days of the travel. Permanent travel advances are to be used when it is not feasible to use a travel charge card. This section also provides additional information on the travel expense reimbursement process.

CAPP Manual Section 20355 - Purchasing Charge Card

This section sets policies over purchasing charge cards, also called small purchase charge cards. The requirements prohibit the use of the card for travel expenses with the exception of airline tickets, mass transit tickets, certain car rentals, and direct billed accommodations.

CAPP Manual Section 20360 - Travel Charge Card

Policies over the use of travel charge cards are set forth in this section, which distinguishes between two types of cards – an individual travel card and an agency airline travel card.

As mentioned earlier, certain universities may also establish their own travel policies based on specific agreements with the state. The Commonwealth classifies higher education institutions into one of three levels of financial and administrative operational authority. The highest level of financial and administrative operational authority, classified as Level III, is granted to an institution through a “management agreement” between the institution’s Board of Visitors, the Governor, and the General Assembly.

Level III institutions have operational authority in the areas of capital outlay, information technology, procurement, human resources, and finance. As a result, these universities are not required to follow the CAPP Manual and can establish their own travel policies. The College of William and Mary, the University of Virginia, Virginia Tech, and Virginia Commonwealth University have been designated with Level III status. For these institutions, Accounts reviews their travel policies and will comment on any departures from the CAPP manual that could have a financial effect.

University travel policies have one additional aspect to consider. Frequently, Universities have programs funded with special grant or contract funds. In these cases, the terms and conditions of the individual grant or contract would apply to any travel expenses. In situations where the grant or contract does not address travel requirements, either the CAPP manual requirements or the university’s policies would apply, whichever is relevant based on the university’s designation.

Role of the Department of General Services

The Department of General Services (General Services) is generally responsible for statewide procurement and contracting; however, they have a limited role related to travel in the Commonwealth. General Services is responsible for the administration of the statewide auto rental contract (currently with Enterprise) which employees are required to use when cost beneficial. This is currently the only statewide contract related to travel expenses.

General Services, through their central procurement unit, is responsible for procuring the contract, and the Office of Fleet Management Services (Fleet) performs contract administration duties and manages this statewide contract. Fleet requires state employee travelers to use a pre-designed trip calculator to determine the cost/benefit of using a personal vehicle or Enterprise rental. Agencies must then determine whether the employee should use a state-owned vehicle, Enterprise rental, or a personally-owned vehicle in official state travel. It is expected that a good faith effort will be made to use the Enterprise rental contract when practical.

The Enterprise rental car contract is the only statewide contract related to travel expenses.

There are no other statewide contracts related to travel in spite of the amount of travel that occurs and the possibilities for leveraging the state’s purchasing power. General Services is actively exploring this area in addition to a statewide travel office. They have identified a number of issues to address and we will analyze this issue further in the next phase of our review. This is discussed in the section entitled “*Overview of Next Phase of this Review.*”

Travel Expense Processing

Agencies and universities are responsible for most aspects of processing travel expenses. This includes making travel arrangements and reservations although this process will vary from agency to agency. Some larger agencies may have a central department or individual that makes travel arrangements, while individual employees have this responsibility in other situations. Each individual agency is generally responsible for establishing the process for making travel arrangements and reservations.

While many expenses are processed through the travel reimbursement process, there are also some travel expenses processed as regular vendor payments so the procedures will vary depending on the type of transaction. Regardless of the type of transaction used to process the travel expense, agencies and universities are responsible for ensuring expenses are properly approved, adequately supported with documentation, and in compliance with applicable travel policies and requirements. This may also include any internal budgeting or monitoring to ensure travel expenses are within budgeted amounts.

In addition to establishing statewide travel policies, Accounts also has a role in processing and recording travel expenses in CARS, the state's financial reporting system. While Accounts is responsible for maintaining CARS, agencies are responsible for approving and processing their own travel expense payments in CARS. Many agencies, especially larger agencies, have their own financial management systems. Agencies record travel expenses in these systems and then the information is either interfaced or entered into CARS. As discussed earlier, Level III universities have some additional flexibility in the amount of information they are required to report in CARS.

Most agencies have been given a "decentralized" status, meaning documentation to support expenses is maintained at the agency. For these agencies, Accounts periodically will perform quality control reviews, which include travel expenses as well as other financial areas. There are several agencies that do not have this status and these are referred to as "centralized agencies."

Centralized agencies include agencies that have not demonstrated the capability to manage a delegated program for various reasons. For these agencies, Accounts has a more significant role in processing travel expense payments, as well as other expenses. These agencies are required to submit documentation to Accounts to support expenses, and Accounts reviews the documentation to ensure it is adequate and in compliance with statewide travel policies.

Use of Charge Cards for Travel Expenses

As discussed earlier, there are three types of charge cards that can be used to pay for travel expenses – the small purchase charge card, an individual travel card, or an agency airline card. The CAPP manual sets specific policies as to the use of each of these card types for travel; however,

agencies and universities can implement exceptions to the policies. The approval process for departures from the policies depends on the agency type and the university designation.

Small purchase charge cards are routinely used by all agencies for various purchases including travel-related purchases. The other two card types are specifically limited to travel-related expenses. The agency airline card can be used only for airline and mass rail travel so there are a limited number of these cards used statewide. Currently, 81 employees hold agency airline cards and each agency must pay these cards in full on a monthly basis.

Employees who travel more than two times per year are encouraged to obtain an individual travel card. There are over 2,400 employees statewide with individual travel cards, with card limits between \$1,000 and \$5,000 depending on the employee's travel volume. Unlike the airline travel card, which the agency pays, individual employees are responsible for paying the balance on their individual travel card. Employees request reimbursement for travel charged to the card; however, they must pay the bill timely even if agency reimbursement has not occurred. There are penalties to the cardholder for late and/or non-payment of their individual travel cards including closing the account if the cardholder does not pay the bill timely.

How Travel Expenses are Recorded in CARS

Travel expenses, like other expenses recorded by state agencies and universities, are recorded by fund, program, and object code in CARS. This information is required regardless of whether an agency uses CARS as their primary financial reporting system or has an internal financial reporting system. While an agency or university may use additional data elements to record their expenses (i.e., cost code, department, project), the fund, program, and object code are necessary to interface with CARS and also to monitor expenses against appropriations.

Object codes are used to record and classify expenses in categories. There are several object codes used to record travel expenses, which differentiate between different types of travel expense (e.g., meals vs. lodging). The CAPP Manual establishes these object codes and the types of travel expenses included in this review are discussed in Table 1. Along with the description, there is a reference to the specific object code from the CAPP manual.

Table 1 – Description of Types of Travel Expenses

Type of Travel Expense	What is Included
Employee Training	<i>Expenses for airfare, taxi, tolls, lodging, meals and personal vehicle mileage reimbursement, associated with employee training and development. (object code 1227)</i>
Lodging and Miscellaneous	<i>Expenses for gratuities, lodging, and similar subsistence and for parking fees and tolls. (object code 1285)</i>
Meals	<i>Expenses for meals incurred during trips or work assignments. This includes meals which did not require overnight lodging and meals incurred during trips which required overnight stays. (object codes 1287 and 1288)</i>
Personal Vehicle	<i>Expenses for transportation by personal vehicle other than parking fees and tolls. (object code 1282)</i>
Public Carrier	<i>Expenses for individual travel by aircraft (State and private sector), airport limousine, bus, leased vehicle, taxi, train, and watercraft. Expenses for Enterprise rental cars are recorded in this object code. (object code 1283)</i>
State Vehicle	<i>Expenses for transportation by State vehicles such as the Commonwealth's centralized fleet of vehicles managed by the Office of Fleet Management Services other than parking and tolls. (object code 1284)</i>
Travel for Custodial Care	<i>Expenses for individual transportation and subsistence for persons in the care or custody of a State agency. This includes the extradition of prisoners and all travel expenses of the guards. (object code 1286)</i>



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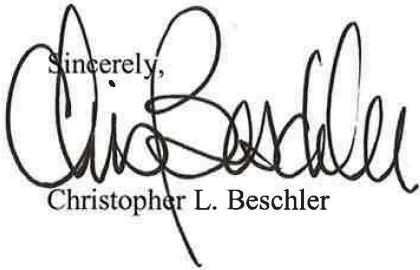
August 18, 2016

Martha S. Mavredes
Auditor of Public Accounts
101 N. 14th Street 8th Floor
Richmond, VA 23219

Dear Ms. Mavredes,

Thank you for the opportunity to review the Auditor of Public Accounts, Statewide Review of Travel Expenses Draft Report.

The Department of General Services (DGS) appreciates the time and effort the staff of the Auditor of Public Accounts (APA) spent conducting the review and preparing the report and generally agrees with the comments and recommendations contained in the report.

Sincerely,

Christopher L. Beschler

REVISED DRAFT REPORT: STATEWIDE REVIEW OF TRAVEL EXPENSES

Combined Response from VASCUPP Schools*

August 17, 2016

Recommendation #1: Legislative Changes

As stated throughout the report, given the importance of travel to colleges and universities towards meeting our fundamental mission, and the volume, variety and complexity of our travel spend in comparison to state agencies, it is prudent to explore collaborative opportunities specified in Recommendations 2 and 3. The prospect of effecting outcomes swiftly and efficiently to lower cost and improve travel related services using contracting tools that are currently available and without time intensive legislative action, could benefit all participating entities. Higher education is available to champion this action.

Recommendations #2 and 3: Collaborative Development of Statewide Approach to Travel or Piecemeal Approach

Higher education institutions have routinely extended our expertise to the state and are willing to work with the state to identify travel strategies and approaches that could be rolled out collaboratively and to the benefit of both higher education and state government. Due to the volume, variety and complexity of higher education's travel-spend and our depth of knowledge and expertise, higher education volunteers to lead this effort, including a review of any efficiency that may be gained by the state through the use of expense management tools.

*Virginia Association of State College and University Procurement Professionals (VASCUPP)
Member Schools:

- George Mason University
- James Madison University
- Old Dominion University
- Radford University
- University of Virginia
- Virginia Commonwealth University
- Virginia Military Institute
- Virginia Tech
- William & Mary
- Longwood University
- University of Mary Washington

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